

**Illinois Department of Revenue
Regulations**

Title 86 Part 150 Section 150.525 Methods for Calculating Tax on Sales of Items Subject to Differing Tax Rates

TITLE 86: REVENUE

**PART 150
USE TAX**

**Section 150.525 Methods for Calculating Tax on Sales of Items Subject to
Differing Tax Rates**

- a) The tax on a transaction involving the sale of several items which are subject to two different tax rates may be determined for the purpose of stating the tax total to the customer by use of either of the following methods if the retailer uses a cash register which cannot calculate dual tax rates:
 - 1) Method No. 1
 - A) Develop a Delta table by subtracting the tax determined by the applicable low rate bracket schedule from the tax determined by the high rate bracket schedule, i.e., subtracting the tax on a 3% chart from a 5% chart which provides the differential or "Delta" between the two charts for the amount of the sale. The Delta table reflects the difference between the two rates.
 - B) The customer's order is segregated so that all items taxable at the high rate (non-food and non-drug items) are rung up on the cash register and a subtotal is taken. Then items taxable at the lower rate (food and drug items) are rung up and a second subtotal is taken which is cumulative, including the first subtotal. The tax is then charged by applying the Delta amount from the Delta table to only the first subtotal and the applicable low rate tax to the second or cumulative subtotal.
 - C) Exempt items such as newspapers, bottle deposits and food stamp purchases are then rung up and a total is taken.
 - 2) Method No. 2
 - A) Program the cash register with the tax rate which is equal to the difference between high rate and low rate of tax and by use of departmental or tax keys on the register apply that rate to any item subject to the rate of tax as each item is rung up. A subtotal is then taken on which the register automatically calculates the programmed rate of tax.
 - B) The checker then manually adds the appropriate low rate of tax from the bracket schedule to the untaxed subtotal. The checker would then ring up items which are not subject to any tax, such as newspapers, bottle deposits and food stamp purchases and ring up a total.
 - C) This method does not require segregation of low and high rate items.
- b) For the purpose of filing returns, retailers will be permitted to use the following method to determine the amount of food and drug sales and non-food and drug sales to allocate tax collected to each type of sale which is taxed at different rates when the exact total taxable receipts and exact total tax collected are known. The following four formulas will

provide a retailer with the amount of food sales; non-food sales may be determined by subtracting food sales from total taxable sales.

- 1) When the high rate of tax is 5% and the low rate is 3%, to determine food sales, multiply (2.5 x total taxable sales) - (50 x tax collected)
- 2) When the high rate of tax is 6% and the low rate is 4%, to determine food sales, multiply (3 x total taxable sales) - (50 x tax collected)
- 3) When the high rate of tax is 5 1/4% and the low rate is 3 1/4%, to determine food sales, multiply (2.625 x sales) - (50 x tax collected)
- 4) When the high rate of tax is 5 1/8% and the low rate is 3 1/8%, to determine food sales, multiply (2.5625 x sales) - (50 x tax collected)
- 5) For rates other than those stated, perform the following four steps:
 - A) $\frac{\text{Tax Collected}}{(\text{High Rate of Tax} - \text{Low Rate of Tax})}$
 - B) $\times \text{Smaller Rate}$
 $(\text{High Rate of Tax} - \text{Low Rate of Tax})$
 - C) Non-Food Sales = a - b
 - D) Food Sales = Total Sales - Non-Food Sales
- c) The use of these methods require exact sales and tax figures for taxable sales. The Department reserves the right to audit and correct, if necessary, tax collection figures and taxable sales figures.
- d) **EXAMPLE:** A retailer selling foods and non-foods in a jurisdiction where the respective rates are 4% and 6% would determine the proper amount of tax as follows:

Assume gross sales of
 food and non-food items of \$163.00
 deduct food stamps
 bottle deposits _____ -3.00

-20.00
 \$140.00 net taxable
 sales
 7.40 tax collected
 at 6% and 4%

\$140 x 3 = \$420
 \$7.40 x 50 = \$370
 \$420 - \$370 = \$50

\$140.00 net taxable sales
 -50.00 food sales
 \$ 90.00 non-food sales

\$50 x 4% = \$2.00 tax on food sales
 \$90 x 6% = \$5.40 tax on non-food sales

(Source: Amended at 5 Ill. Reg. 11072, effective October 6, 1981)